Michael F. Easley
Governor

Carmen Hooker Odom
Secretary

State of North Carolina
Department of Health and Human Services

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Contact: Brad Deen

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N.C. Medicaid Ends Year $350 Million Under Budget;

Cost-Cutting Measures Contribute to Savings

RALEIGH — North Carolina's Medicaid program has spent $350 million less in provider payments than expected for the fiscal year just ended.

When the books close on the 2005-2006 fiscal year, which ended June 30, the state Division of Medical Assistance expects Medicaid's expenditures to total $ 8.5 billion — about 4 percent less than budget writers had anticipated.

Dr. Allen Dobson, assistant secretary for health policy and medical assistance, credited increased enrollment in managed care networks, prescription drug savings and other cost-cutting initiatives for the reduced spending.

"The division has done a great job in its new role of proactively managing the Medicaid program. In doing so, we are constantly looking for opportunities to improve the care provided to our Medicaid recipients, eliminate unnecessary spending and assure that we are good stewards of the taxpayer dollar," Dobson said. "It is my hope that we will continue to see a more controlled growth rate in the Medicaid program in the future as many of our new clinical and program initiatives become fully implemented."

Medicaid is the government-managed health insurance program serving the poor and the disabled. More than 1.5 million North Carolinians were enrolled in Medicaid during the past year.

The bulk of the $351.7 million savings is federal money, which picks up 62 percent of the state's Medicaid costs. The state contributes approximately 32 percent, and counties the remaining 6 percent.

This year's annual Medicaid expenditures were only 3.89 percent higher than the previous year's. That increase was modest in comparison to the double-digit rates of growth from the two previous years — 10.3 percent and 12.1 percent, respectively.

Prescription drug initiatives were responsible for much of the cost savings. Medicare Part D, a new federal program that provides prescription drug coverage to seniors, now picks up those costs for about 210,000 North Carolinians who are dually eligible for Medicaid and Medicare.

Additional pharmaceutical savings resulted from tighter controls. Medicaid patients with eight or more current prescriptions are required to use a single pharmacist and to undergo a clinical review. The state also placed limits on "episodic" drugs such as sleeping aids, reasoning that a frequent need for them could indicate an underlying health problem.

Mark Benton, the state's senior deputy director of Medicaid, said besides keeping a handle on costs, such measures also help to ensure quality care. "We want to make sure enrollees are getting the appropriate drugs at the right time, and that there are no interactions," Benton said.

Similar front-end monitoring of in-home personal care services resulted in additional savings for the year. Benton said the Legislature had mandated that Medicaid tighten up the policy for these services and better monitor who gets them. Costs for personal care services had been accelerating by high double-digit rates annually.

Other cost-control measures include increasing enrollments of Medicaid patients in managed care plans, mostly through the Community Care of North Carolina program. CCNC works with local providers and

Public Information Office
2001 Mail Service Center, Raleigh, NC 27699-2001
(919) 733-9190
FAX (919) 733-7447

Debbie K. Crane
Director

networks to give Medicaid enrollees a medical “home” for care of chronic or routine medical needs. About 75 percent of eligible Medicaid patients were enrolled in a managed care plan at the end of the fiscal year.

A separate Medicaid-managed health plan for the children of low-income working parents also ended the year under budget. N.C. Health Choice for Children, or NCHC, saved approximately 3 percent for the year, or around $2 million, by focusing on eligibility and on reimbursement rates.

Unlike an entitlement program such as Medicaid, NCHC provides coverage only to as many children as funding allows. Faced with having to cap enrollment, and possibly with dropping kids from the rolls, state Medicaid officials instead limited enrollment by age. Children younger than 6 were shifted to Medicaid. More cost savings came from reducing the NCHC reimbursements for doctors and other health care providers to Medicaid levels.

The NCHC federal savings will be rolled back into the program to help cover next year’s expenditures.

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